

## EXPLORATION

**Gaspe:** The Company has, along with other participants, entered into a farmin comprising approximately 325,000 acres of petroleum and natural gas rights in the Gaspe Peninsula of Quebec. Under the terms of this agreement a 10,000 foot well will be drilled in the fall of 1972. This prospect involves a large geophysically defined anticline and has potential for either oil or gas reserves of major proportions. The proposed location is approximately 60 miles from tidewater.

**Dodsland, Saskatchewan:** A total of 4 gas wells have now been drilled by the Company in this area, proving commercial gas reserves. It is anticipated that additional reserves will be proven as a result of further drilling. Discussions are now taking place with a gas purchaser with respect to a gas purchase contract.

**Exploratory Drilling:** During the first half of 1972, the Company participated in 39 exploratory wells in British Columbia, Alberta and Saskatchewan. This work resulted in 9 gross oil wells and 2 gross gas wells. For the most part, these wells were drilled under the provisions of various farmins obtained by the Company. In addition to the reserves of oil and gas discovered as a result of this program, Bracell has also earned interests in geologically attractive blocks of land which warrant further exploration in the future.

**Irish Shelf:** Bracell was instrumental in organizing a 1600 mile offshore geophysical program located off the southwest coast of Ireland. This program has now been completed and the data obtained is being evaluated. The information gained will be taken into consideration in making application for Exclusive Production Licences to the Republic of Ireland during the latter part of 1972.

**North Sea:** The Company has joined a consortium to make applications for a number of offshore parcels recently offered by the Netherlands Government. It is anticipated that the awards will be made in the fall of 1972.

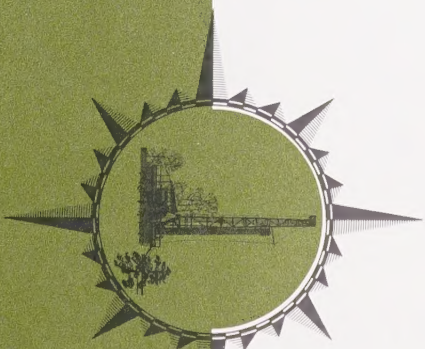
**Reading, England:** The onshore area of Southern England is receiving increased attention by the industry and it is reported that a number of wells may soon be drilled in close proximity to Bracell's holdings. The results obtained from the Company's geophysical program have now been fully evaluated and future plans are being formulated.

ON BEHALF OF THE BOARD

HARRY DERNICK

President.

July 26th, 1972



BRACELL PETROLEUMS LIMITED  
Interim Report 1972



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BRACELL PETROLEUMS LIMITED → *BALORNE*

AND

SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME

For the Six Months Ended  
June 30, 1972 and 1971

	1972	1971
Revenue:		
Oil and gas sales	\$830,502	\$461,689
Management fees	88,675	107,884
Interest income	13,773	7,254
	<u>\$932,950</u>	<u>\$576,827</u>
Expenses:		
Production expenses	\$280,753	\$127,596
Administration and general expenses	195,057	185,725
Interest expense	67,007	38,609
	<u>\$542,817</u>	<u>\$351,930</u>
Cash Flow from Operations	<u>\$390,133</u>	<u>\$224,897</u>
Provisions for —		
Depletion	\$190,304	\$102,838
Depreciation	36,967	18,993
Mining Exploration Costs	8,111	—
	<u>\$235,382</u>	<u>\$121,831</u>
Net Income for the Period	<u>\$154,751</u>	<u>\$103,066</u>

CONSOLIDATED STATEMENT OF SOURCE  
AND APPLICATION OF WORKING CAPITAL

For the Six Months Ended  
June 30, 1972 and 1971

	1972	1971
Source of Working Capital:		
Cash flow from operations	\$390,133	\$224,897
Issue of 250,000 shares (250,000 in 1971)	500,000	500,000
Increase in term bank loan	28,400	237,605
Other	9,605	8,000
	<u>\$928,138</u>	<u>\$970,502</u>
Application of Working Capital:		
Acquisition of petroleum and natural gas interests and expenditures on oil and gas exploration and development	\$445,454	\$655,087
Purchases of production and other equipment	36,292	112,376
Mining syndicate exploration costs	(3,928)	8,818
	<u>\$477,818</u>	<u>\$776,281</u>
Increases in Working Capital	\$450,320	\$194,221
Working Capital at Beginning of Year	\$217,731	\$102,584
Working Capital at End of June	<u>\$668,051</u>	<u>\$296,805</u>

NOTE: The above statements subject to audit.

The Company's operations during the first half of 1972 have been most gratifying, resulting in substantial increases in revenue and oil and gas reserves.

During the first half of 1972, revenue increased 62% and cash flow from operations increased 73%. Net income for the first six months of 1972 was \$154,751, an increase of 50% over \$103,066 realized in the same 1971 period. Working capital increased to \$668,051 from \$296,805 for 1971, representing an increase of 125%. The increases and gains experienced during the first half of 1972 do not necessarily reflect a rate of growth that will be obtained throughout the entire year.

During the first half of 1972, Celanese Resources Limited has exercised its right to acquire an additional 250,000 shares of the Company. The total number of outstanding shares as at June 30, 1972 was 4,030,000.

OPERATIONS

The Company's net average daily oil production for the first six months of 1972 was 1,295 barrels compared to 782 barrels for the same period of 1971, representing an increase of 66%. The average daily gas production for the first six months of 1972 amounted to 6 million cubic feet per day, an increase of 73% over 3.5 million for the same period of 1971.